

Approved For Release 2001/09/04 : CIA-RDP80-01240A000100140012-4

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FROM: <i>Audit Staff</i>		
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FORM NO. 241
1 FEB 55

REPLACES FORM 36-8
WHICH MAY BE USED.

(47)

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24 MAY 1960

Director of Logistics

Chief, Audit Staff

Report of Audit of Headquarters Procurement Activities

1. This report covers the results of an audit of Headquarters procurement policies, practices, procedures, and activities (except the Development Projects Division and proprietary projects which are audited separately). The audit included:

- a. A general review and evaluation of Agency procurement authorities, policies, practices, and procedures as of 31 January 1960. To avoid duplication, we limited the review of Procurement Division procedures because the Management Staff was in the process of making a survey of the Division at the time of our audit.
- b. A detailed examination of selected procurement actions effected by the Procurement Division during the period from 1 April 1958 to 30 September 1959 to determine:
 - (1) The extent of compliance with applicable laws, government policies and practices, and Agency regulations;
 - (2) The adequacy and propriety of contract approvals, justifications, and determinations and findings;
 - (3) The existence and adequacy of required documentation; and
 - (4) Whether individual contracts and purchases were executed, administered, and paid in a sound and business-like manner and in the best interests of the government.
- c. An examination of allotment records and controls pertaining to the direct and stock procurement accounts administered by the Office of Logistics for the period from 1 July 1958 to 30 November 1959.
- d. An audit of revolving and imprest funds under the control of the Procurement Division.
- e. A review and evaluation of procurement effected by Agency components outside the Procurement Division.

Audit Comments

2. The audit disclosed that, in general, Headquarters procurement activities are being conducted in a satisfactory and competent manner and in accordance

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with pertinent legislative and regulatory authorities. Matters which require further consideration or action are discussed below. Minor deficiencies excluded from this report were discussed with Procurement Division officials during the course of the audit.

3. In a number of instances, we found that contracting officers' determinations and findings (required to justify the use of negotiation rather than advertising procedures and the use of cost or cost-plus-a-fixed-fee in lieu of fixed-price contracts) were too vague or lacked some of the background information necessary to complete the reasons or justifications given. Therefore, they do not, in themselves, satisfy a person unless he reads into them the missing background information based on his knowledge of over-all Agency programs, policies, and practices. In our opinion, these determinations and findings should contain all the information necessary to stand by themselves, and the justification behind the decision rendered should be fully explained and made applicable to the authority cited. Although the quality of this documentation has improved somewhat in recent months, we feel that further improvement is needed.

4. A review of Industrial Contract Audit Division records disclosed that a high percentage of time discounts offered by contractors on fixed-price contracts are not taken. The monetary loss involved is small (about \$1,500 for a two-year period) because not many discounts are offered. Nevertheless, every reasonable effort should be made to take advantage of discounts offered. The reason appears to be attributable to delays in processing documentation required to effect payments, especially receiving reports involving technical inspection of materiel. We were informed that the matter is presently under study and that consideration is being given to inserting a "warranty" provision in production contracts which would enable the Agency to make provisional payments to contractors prior to inspection and final acceptance of materiel.

5. The audit of the stock and direct procurement allotment accounts disclosed a marked improvement since the last audit (Report of Audit of the Financial Allotment Records of the Office of Logistics for the period 1 July 1957 through 30 June 1958, dated 16 December 1958.) At that time the records were in poor condition and prescribed procedures were not being followed primarily because of the excessive workload. These conditions were corrected by the conversion from hand to machine posting. As a result, Fiscal Year 1959 and 1960 records are in excellent condition and are maintained in accordance with applicable regulations. Fiscal year 1958 records were not converted to machine posting, however, and are still in poor condition as evidenced by the fact that the \$627,683.38 of unliquidated obligations at 30 November 1959 could not be supported by valid obligating documents. This deficiency will be corrected after the lapse of the fiscal year when valid unliquidated obligations applicable to lapsed fiscal years are reported to the Office of the Comptroller.

6. The Status of Allotments Report of 31 March 1960 shows two allotments overobligated, as follows:

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Fiscal Year 1958 3-6895-10-000 .. \$96,853.99
Fiscal Year 1959 3-6896-10-000 .. 22,734.01

A cursory analysis disclosed that the main causes of the overobligations were adjustments between fiscal years of advances to other Government agencies to reflect the fiscal year charged by the other agencies and the upward adjustment of estimated obligations to equal final expenditures. We were informed that the allottee has been given oral authorization by the Budget Division to continue certifying the availability of funds for these allotments.

Administrative Action Requested

7. The matters discussed in this report which, in our opinion, require administrative action of the Office of Logistics are summarized as follows:

- a. Make additional improvements in the quality of contracting officer's determinations and findings. (Paragraph 3)
- b. Revise procedures as necessary to enable the Agency to take advantage of all discounts offered. (Paragraph 4)

8. Please inform the Chief, Audit Staff, of the steps taken to comply with the actions requested in paragraph 7 above. If you have any questions or comments regarding the matters in this report, we shall appreciate receiving them.

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Suspense Date:

24 JUN 1960

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AS/ [REDACTED]:hmm (19 May '60)